

VZCZCXYZ0038  
OO RUEHWEB

DE RUEHTVA #0502 0461530  
ZNR UUUUU ZZH ZUI RUEWMCE0746 0461556  
O 151530Z FEB 07  
FM AMEMBASSY TEL AVIV  
TO RUEHC/SECSTATE WASHDC0000  
INFO ARAB ISRAELI COLLECTIVE  
RUEATRS/DEPT OF TREASURY WASHDC  
RHEHNSC/NSC WASHDC

UNCLAS TEL AVIV 000502

SIPDIS

SENSITIVE  
SIPDIS

NEA/FO FOR DANIN; NEA/IPA FOR WILLIAMS, SHAMPAINE,  
BELGRADE, ZIMMER; EB/IFD FOR GARRY; NSC FOR  
ABRAMS/DORAN/WATERS; TREASURY FOR HIRSON

E.O. 12958: N/A

TAGS: [ECON](#) [ETRD](#) [PREL](#) [KWBG](#) [IS](#)  
SUBJECT: ISRAELIS AND PALESTINIANS TO CONTINUE ECONOMIC  
DEVELOPMENT DIALOGUE

REF: TEL AVIV 422

**¶11.** (SBU) SUMMARY: AS ONE ELEMENT OF THE ONGOING EFFORT TO IMPROVE IMPLEMENTATION OF THE AGREEMENT ON MOVEMENT AND ACCESS (AMA), ISRAELI AND PALESTINIAN DELEGATIONS MET ON FEBRUARY 13 AT THE CHIEF OF MISSION'S RESIDENCE TO DISCUSS ACTIONS THAT COULD AID A REVIVAL OF ECONOMIC ACTIVITY IN THE WEST BANK AND GAZA. MINISTER OF DEFENSE AMIR PERETZ AND DEPUTY MINISTER OF DEFENSE EPHRAIM SNEH HEADED THE ISRAELI DELEGATION, WHILE CHIEF PLO NEGOTIATOR SAEB EREKAT LED THE PALESTINIAN DELEGATION, WHICH ALSO INCLUDED PRIVATE SECTOR REPRESENTATIVES. THE PARTICIPANTS HELD WIDE-RANGING DISCUSSIONS ON ELEMENTS OF THE AMA, AND ENGAGED IN A CONSTRUCTIVE EXCHANGE OF VIEWS TO IDENTIFY PRACTICAL STEPS FOR PROMOTING PALESTINIAN ECONOMIC DEVELOPMENT UNDER THE LEADERSHIP OF THE PRIVATE SECTOR. THE PALESTINIANS CALLED FOR DECISIVE ACTION, NOTING THAT ISRAELI SUPPORT WOULD BE VITAL TO SPURRING PALESTINIAN PRIVATE SECTOR ACTIVITY. SNEH COMMITTED TO WORK WITH THE PALESTINIANS, AND SUGGESTED CREATING A BI-LATERAL "ECONOMIC COMMITTEE" THAT WOULD CONVENE EVERY TWO WEEKS AS A PERMANENT FRAMEWORK FOR PROMOTING ECONOMIC DEVELOPMENT. END SUMMARY.

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PALESTINIANS CALL FOR ACTION  
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**¶12.** (SBU) EREKAT CALLED FOR DECISIVE ACTION, STRESSING THAT THE BEST INSURANCE POLICY TO GUARANTEE SECURITY INVOLVES ISRAEL HAVING A NEIGHBORING PALESTINIAN STATE THAT PROSPERS ECONOMICALLY. HE EMPHASIZED THAT PA PRESIDENT MAHMOUD ABBAS (ABU MAZEN) IS COMMITTED TO A TWO-STATE SOLUTION, ADDING THAT "WE ARE NOT GOING THE WAY OF HAMAS." BASSAM KHOURY, CHAIR OF THE PALESTINIAN FEDERATION OF INDUSTRIES AND SECRETARY GENERAL OF THE PALESTINIAN PRIVATE SECTOR COORDINATION COUNCIL, OPINED THAT ONE KEY TO SPURRING ECONOMIC DEVELOPMENT IS TO FIND PRACTICAL SOLUTIONS THAT CAN REDUCE REDUNDANT BUSINESS COSTS ASSOCIATED WITH THE ISRAELI CHECKPOINT AND CLOSURE REGIME. HE SUGGESTED, FOR EXAMPLE, THAT HAVING AN OPEN AND TRANSPARENT SYSTEM OF PRE-SCHEDULING GOODS TO TRANSIT THROUGH THE KARNI (AL-MINTAR) CROSSING POINT WOULD ENSURE THAT PALESTINIAN BUSINESSMEN HAVE A FAIR CHANCE TO SCHEDULE A "TURN" THROUGH THE CROSSING, INSTEAD OF PAYING THE CURRENT "MARKET" RATE, WHICH CAN BE UP TO FOUR TIMES AS EXPENSIVE AS THE PUBLISHED RATE.

**¶13.** (SBU) MUHAMMAD MUSTAFA, ECONOMIC ADVISOR TO PRESIDENT ABBAS, LAMENTED THAT THE ANTICIPATED ANNUAL COST JUST TO KEEP THE PA GOVERNMENT OPERATING WOULD BE BETWEEN USD 1 AND 1.5 BILLION -- MONEY HE DID NOT EXPECT THE PA TO HAVE. THIS

ESTIMATE DID NOT INCLUDE ANY EXPENDITURES ON INFRASTRUCTURE OR DEVELOPMENT. HE SAID THAT A SUSTAINABLE AND SUCCESSFUL PALESTINIAN ECONOMY WOULD REQUIRE A VIBRANT PRIVATE SECTOR TO MOVE AWAY FROM DEPENDENCE ON A BLOATED PUBLIC SECTOR AND DONOR SUPPORT. HE ADDED THAT FOUR ACTIONS WOULD BE REQUIRED: INCREASING MOBILITY AND ACCESS FOR PALESTINIANS; DEVELOPING PUBLIC INFRASTRUCTURE IN CRITICAL SECTORS SUCH AS TRANSPORTATION, WATER, AND ENERGY; INCREASING ACCESS TO CREDIT; AND DIVERSIFYING THE PALESTINIAN ECONOMY. MUHAMMAD SHTAYYEH, FORMER HOUSING AND PUBLIC WORKS MINISTER, SAID THAT SUCH EFFORTS WOULD ALSO HELP COUNTER THE EMIGRATION OF TALENTED PALESTINIAN ENTREPRENEURS AND PROFESSIONALS. ABDUL MALIK JABR, CEO OF PALTEL, SAID JOB-CREATION PROJECTS IN THE IMMEDIATE FUTURE WOULD HELP STIMULATE THE ECONOMY, INCREASE TAX-BASED REVENUES, AND PROVIDE PALESTINIANS ALTERNATIVES TO JOINING MILITIAS. HE HIGHLIGHTED SEVERAL PROMISING PRIVATE-SECTOR INITIATIVES, INCLUDING A PROJECT TO BUILD A CITY NEAR RAMALLAH THAT WOULD PROVIDE 20,000 NEW JOBS AND CREATE 7,000 NEW HOUSES. HE UNDERSCORED THAT ISRAELI SUPPORT WOULD BE VITAL TO BRINGING THESE PLANS TO FRUITION.

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GOI TO CONSIDER PRACTICAL SOLUTIONS  
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¶4. (SBU) MINISTER PERETZ EMPHASIZED THAT HE IS AN "UNCONDITIONAL PARTNER" IN WORKING TO LESSEN THE HARSHIPS ON THE PALESTINIAN PEOPLE AND IMPROVE THE PALESTINIAN ECONOMY. SENIOR MINISTRY OF DEFENSE (MOD) ADVISOR HAGGAI ALON STRESSED THAT HIGH-LEVEL COOPERATION IS MUTUALLY BENEFICIAL, AND CONVEYED THAT THE GOI UNDERSTANDS THAT IT NEEDS TO BE "AN ACTIVE PLAYER" IN PROMOTING ISRAELI-PALESTINIAN ECONOMIC DEVELOPMENT. MOREOVER, HE NOTED THAT THE MOD IS TAKING A MODIFIED APPROACH TO COORDINATING WITH PALESTINIANS THAT IS NOT AS SECURITY-CENTERED. THE COORDINATOR FOR GOVERNMENT

AFFAIRS IN THE TERRITORIES (COGAT), MAJOR GENERAL YUSSEF MISHLEV, OUTLINED SEVERAL MEASURES -- INCLUDING INCREASING PERMITS AND EASING MOVEMENT THROUGH CROSSING POINTS -- THAT COGAT HAS EITHER TAKEN OR HAS PLANNED THAT WOULD CONTRIBUTE TO PALESTINIAN ECONOMIC DEVELOPMENT. DEPUTY DEFENSE MINISTER SNEH AGREED WITH THE AMBASSADOR AND THE CONSUL GENERAL THAT THE PARTIES NEED TO FOCUS ON PRACTICAL SOLUTIONS, AND PRAISED THE PARTICIPANTS FOR THEIR CANDID CONTRIBUTIONS.

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NEXT STEPS  
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¶5. (SBU) SNEH SUGGESTED CREATING A BI-LATERAL "ECONOMIC COMMITTEE" THAT WOULD CONVENE EVERY TWO WEEKS AS A PERMANENT FRAMEWORK FOR PROMOTING ECONOMIC DEVELOPMENT. MAJOR GENERAL MISHLEV WOULD SERVE AS THE ISRAELI CHAIR OF THE GROUP, WHICH WOULD ALSO INCLUDE ALON AND REPRESENTATIVES FROM THE ISRAELI AIRPORT AUTHORITY AND MINISTRY OF FINANCE. THE PALESTINIAN CONTINGENT WOULD BE LED BY SA'EB EREKAT, AND INCLUDE PROMINENT PRIVATE-SECTOR REPRESENTATIVES. THOUGH THE "ECONOMIC COMMITTEE" WOULD BE BI-LATERAL IN NATURE, THE PARTICIPANTS WELCOMED USG INVOLVEMENT, AND WERE GRATEFUL THAT THE AMBASSADOR HOSTED AND FACILITATED THE DIALOGUE. THE AMBASSADOR EMPHASIZED THAT THE USG WOULD BE HAPPY TO PLAY A CONSTRUCTIVE ROLE. AS REQUESTED BY THE PARTIES, FUTURE MEETINGS COULD BE HELD AT THE CMR OR THE CONSUL GENERALS RESIDENCE IN JERUSALEM.

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ATTENDEES  
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¶6. (SBU) THE PRIMARY PARTICIPANTS IN THE DISCUSSION WERE AS FOLLOWS:

U.S. DELEGATION  
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EMBASSY TEL AVIV

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AMBASSADOR  
DCM  
USAID DIRECTOR  
ECON COUNSELOR  
POL COUNSELOR  
SPECIAL ADVISOR TO THE AMBASSADOR  
NAVAL ATTACHE

CONGEN JERUSALEM  
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CONSUL GENERAL  
ECON CHIEF

USSC  
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ADVISOR

ISRAELI DELEGATION  
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MINISTER OF DEFENSE AMIR PERETZ  
DEPUTY MINISTER OF DEFENSE EPHRAIM SNEH  
COGAT MAJOR GENERAL YOSSEF MISHLEV  
MOD SENIOR ADVISOR HAGGAI ALON  
LT. COL. ODED HERMAN, ADVISOR TO POL-MIL DIRECTOR GILAD  
IRIT BEN-ABBA, MFA HEAD OF BUREAU FOR MIDDLE EAST ECONOMIC  
AFFAIRS

PALESTINIAN DELEGATION  
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PLO CHIEF NEGOTIATOR SA'EB EREKAT  
FORMER PA MINISTER OF HOUSING & PUBLIC WORKS MUHAMMAD SHTAYYEH  
PA PRESIDENCY ECONOMIC ADVISOR MUHAMMAD MUSTAFA  
ABDUL MALIK JABR, CEO OF PALTEL  
BASSAM KHOURY, CHAIR, FEDERATION OF INDUSTRIES (PFI)  
NISREEN HAJ AHMED, ECONOMIC ADVISOR TO PRESIDENT ABBAS  
INES ABU LABAN, NEGOTIATIONS SUPPORT UNIT

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VISIT EMBASSY TEL AVIV'S CLASSIFIED WEBSITE:  
[HTTP://WWW.STATE.SGOV.GOV/P/NEA/TELAVIV](http://WWW.STATE.SGOV.GOV/P/NEA/TELAVIV)

YOU CAN ALSO ACCESS THIS SITE THROUGH THE STATE DEPARTMENT'S  
CLASSIFIED SIPRNET WEBSITE.  
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JONES